

Message Text

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ACTION COME-00

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 7386

INFO AMEMBASSY SINGAPORE

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FOR COMMERCE

SINGAPORE FOR RTDC

E.O. 11652: N/A

TAGS: BEXP, RP

SUBJ: PROPOSED FY-1975 EVENT SCHEDULE

REF: STATE A-5963

SUMMARY: WE NOTE THAT FY-75 PROGRAM DEVOTES FEWER RESOURCES TO TRADE PROMOTION IN PHILIPPINES THAN IS CASE FOR FY-74. WE BELIEVE THAT TRADE POSSIBILITIES WARRANT A MORE ACTIVE PROGRAM AND RECOMMEND EVENTS IN INDUSTRY SEGMENTS SUCH AS: MATERIALS HANDLING EQUIPMENT, ELECTRICITY GENERATING AND SWITCHING EQUIPMENT, BUSINESS EQUIPMENT AND SYSTEMS, AGRICULTURAL EQUIPMENT AND CHEMICAL PROCESSING EQUIPMENT. WE ARE IN GENERAL AGREEMENT WITH THE EVENTS PROPOSED BY COMMERCE FOR FYU-75, ALTHOUGH WE ARE NOT YET ABLE TO MAKE A RECOMMENDATION REGARDING PARTICIPATION IN THE MANILA INTERNATIONAL FAIR. END SUMMARY

1. WE HAVE REVIEWED THE FY-75 TRADE PROMOTION SCHEDULE OUTLINED REFAIR. OUR INITIAL REACTION IS THAT PROGRAM FALLS FAR SHORT OF MEETING OUR TRADE PROMOTION NEEDS
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HERE IF WE ARE TO TAKE FULL ADVANTAGE OF THE OPPORTUNITIES

AVAILABLE TO US. FY-75 PROGRAM CONTAINS FEWER ACTIVITIES AND DEVOTES FEWER RESOURCES TO TRADE PROMOTION THAN IS CASE FOR FY-74, A DEVELOPMENT THAT RUNS COUNTER TO PHILIPPINE ECONOMIC AND TRADE TRENDS AS WE SEE THEM.

2. AS COMMERCE AWARE, AS OF JUNE 1973 PHILIPPINE OFFICIAL INTERNATIONAL RESERVES STOOD AT \$649 MILLION, THE HIGHEST FIGURE SINCE INDEPENDENCE. PROVIDED PRICES FOR PHILIPPINE EXPORTS REMAIN AT OUR NEAR PRESENT LEVELS (AND INDICATIONS ARE THAT THIS WILL BE THE CASE), RESERVES AT YEAR'S END SHOULD BE SIGNIFICANTLY HIGHER. AS A RESULT OF RESERVE POSITION, IMPROVED PERFORMANCE OF ECONOMY THIS FAR DURING 1973 AND DESIRE TO PROMOTE FURTHER INVESTMENT AND ECONOMIC GROWTH, GOP NOW TAKING SOME STEPS TOWARDS RELAXATION STRINGENT CONTROLS WHICH HAVE HAD EFFECT OF DAMPENING DOWN IMPORTS. FOR EXAMPLE, RULES REGARDING REPATRIATION OF PROFITS AND INVESTMENTS RECENTLY WERE MODIFIED IN FAVOR OF FOREIGN FIRMS. MOREOVER, CENTRAL BANK HAS AGREED INFORMALLY TO PERMIT REPAYMENT OF CFF LOANS IN COMPLIANCE WITH EXIMBANK GUIDELINES.

3. ON TRADE SIDE, EALY INDICATIONS ARE THAT SOME SHIFT TO U.S. PRODUCTS IS TAKING PLACE. DOLLAR VALUE OF IMPORTS FROM U.S. IS UP 4 PERCENT THROUGH MAY, WHILE VALUE OF TOTAL IMPORTS IS VIRTUALLY CONSTANT (DUE PRIMARILY TO SLOW FIRST QUARTER). WITH PROPER PROMOTION, WE BELIEVE U.S. SHARE CAN INCREASE STILL FURTHER. FIGURES FOR APRIL-MAY 1973 SHOW SHARP INCREASE IN IMPORTS AND THIS TREND MAY WELL CONTINUE FOR BALANCE OF YEAR. WE ANTICIPATE PHILIPPINE IMPORTS IN FY-1975 WILL BE AS MUCH AS 30 PERCENT HIGHER THAN IN FY-1973 AND THAT U.S. SHARE OF COMMERCIAL MARKET WILL INCREASE AT EVEN FASTER RATE.

4. GOP IS MAKING MAJOR EFFORT ATTRACT NEW INVESTMENT WHICH SHOULD FURTHER STRENGTHEN DEMAND FOR IMPORTS. PHILIPPINE NEED FOR AND RESOURCES TO COVER IMPORTATION OF MANUFACTURED PRODUCTS SHOULD CONTINUE STRONG IN FY-1975. WE EXPECT THAT SIGNIFICANT DEMAND WILL BE GENERATED BY PROJECTS IN SUCH FIELDS AS ROAD CONSTRUCTION IN LUZON AND MINDANAO, RURAL ELECTRIFICATION, RAILROAD IMPROVEMENT AND EXPANSION,
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TELECOMMUNICATIONS, BATAAN EXPORT PROCESSING ZONE, PROGRESSIVE CAR MANUFACTURING PROGRAM, TEXTILES, MINING, PETROLEUM EXPLORATION AND TOURISM.

5. IN ORDER TO CAPITALIZE ON ABOVE OPPORTUNITIES, WE URGE THE ADDITION OF AT LEAST THREE EVENTS TO THE FY-75 SCHEDULE. SPECIFICALLY, WE RECOMMEND THE INCLUSION OF TRADE MISSIONS OR CATALOG SHOWS FROM AMONG THE FOLLOWING INDUSTRY SEGMENTS:

--MATERIALS HANDLING EQUIPMENT AND SYSTEMS. EXCELLENT MARKET RESEARCH EFFORT BY MOBIUS SHOWS GROWING DEMAND IN THIS AREA.

--- ELECTRICITY GENERATING AND SWITCHING EQUIPMENT. EXPANSION BY THE NATIONAL POWER CORPORATION SHOULD CONTINUE TO PROVIDE INCREMENTAL EXPORT OPPORTUNITIES FOR AMERICAN COMPANIES.

--- CHEMICAL PROCESSING EQUIPMENT. CURRENT INVESTMENT AND EXPORT PRIORITIES PLANS WILL ALLOW INCENTIVES FOR A LARGE NUMBER OF INVESTMENTS IN CHEMICAL INDUSTRIES, PROVIDING A POTENTIALLY ATTRACTIVE MARKET FOR CHEMICAL PROCESSING EQUIPMENT.

--- BUSINESS EQUIPMENT AND SYSTEMS. THE TREND TOWARD MODERN OFFICE PRACTICES IS WIDENING THE MARKET FOR BUSINESS EQUIPMENT AND SYSTEMS.

--- AGRICULTURAL EQUIPMENT. TO INCLUDE POULTRY AND SWINE GROWING EQUIPMENT, RICE MILLING EQUIPMENT, TRACTORS AND IMPLEMENTS (SEE PREVIOUS MARKET SURVEY).

6. WITH REGARD TO EVENTS PROPOSED BY COMMERCE FOR FY-75 PROGRAM, OUR COMMENTS ARE AS FOLLOWS:

A. MANILA INTERNATIONAL TRADE FAIR (NOV. 1974-JAN. 1975). FAIR HAS STILL NOT RECEIVED FORMAL GOP APPROVAL AND PLANNING BY SPONSOR, CHAMBER OF INTERNATIONAL TRADE, IS AT A STAND-STILL. MANY QUESTIONS REMAIN TO BE ANSWERED, INCLUDING SITE, FUNDING, THEME AND ACTIVITIES, IF ANY, TO BE HELD IN CONJUNCTION WITH FAIR. WE ARE UNABLE TO MAKE A FIRM RECOMMENDATION AT THIS TIME.

B. CATALOG SHOW ON ANALYTIC AND LABORATORY INSTRUMENTATION (DEC. 1974). LOCAL MARKET (MINING, MANUFACTURING, UNIVERSITIES AND GOVERNMENT) SHOULD BE ADEQUATE FOR PROMOTIONAL EVENT. HOWEVER DATE SHOULD BE CHANGED TO SEPTEMBER 1974 OR MARCH 1975 TO AVOID CHRISTMAS HOLIDAYS AND POSSIBLE UNCLASSIFIED

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CONFLICT WITH MANILA INTERNATIONAL FAIR.

C. CATALOG SHOW ON METAL WORKING AND FINISHING EQUIPMENT. RECEPTION TO TRADE MISSION IN THIS FIELD WAS EXCELLENT AND WE BELIEVE CATALOG SHOW WILL BE EQUALLY VALUABLE PROMOTIONAL TOOL.
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